

Weekly Forex Review (August 22-27, 2022)



* dynamics of currency pairs on the charts are presented for the last 12 months

Over the past week, the tenge has shown strengthening positions against all traded currencies. Tenge strengthened by 1.75% against the dollar and the exchange rate was **468.10** tenge per dollar by the end of the week. It became stronger by 2.23% against the ruble and amounted to **7.89 tenge per ruble**, against the yuan – by 2.69% to 68.12 tenge per yuan, against the euro – by 2.83% to 466.27 tenge per euro.

Thus, the national currency has strengthened against the US by 1.88% since the beginning of August (since the beginning of the year it has weakened by 8.41%).

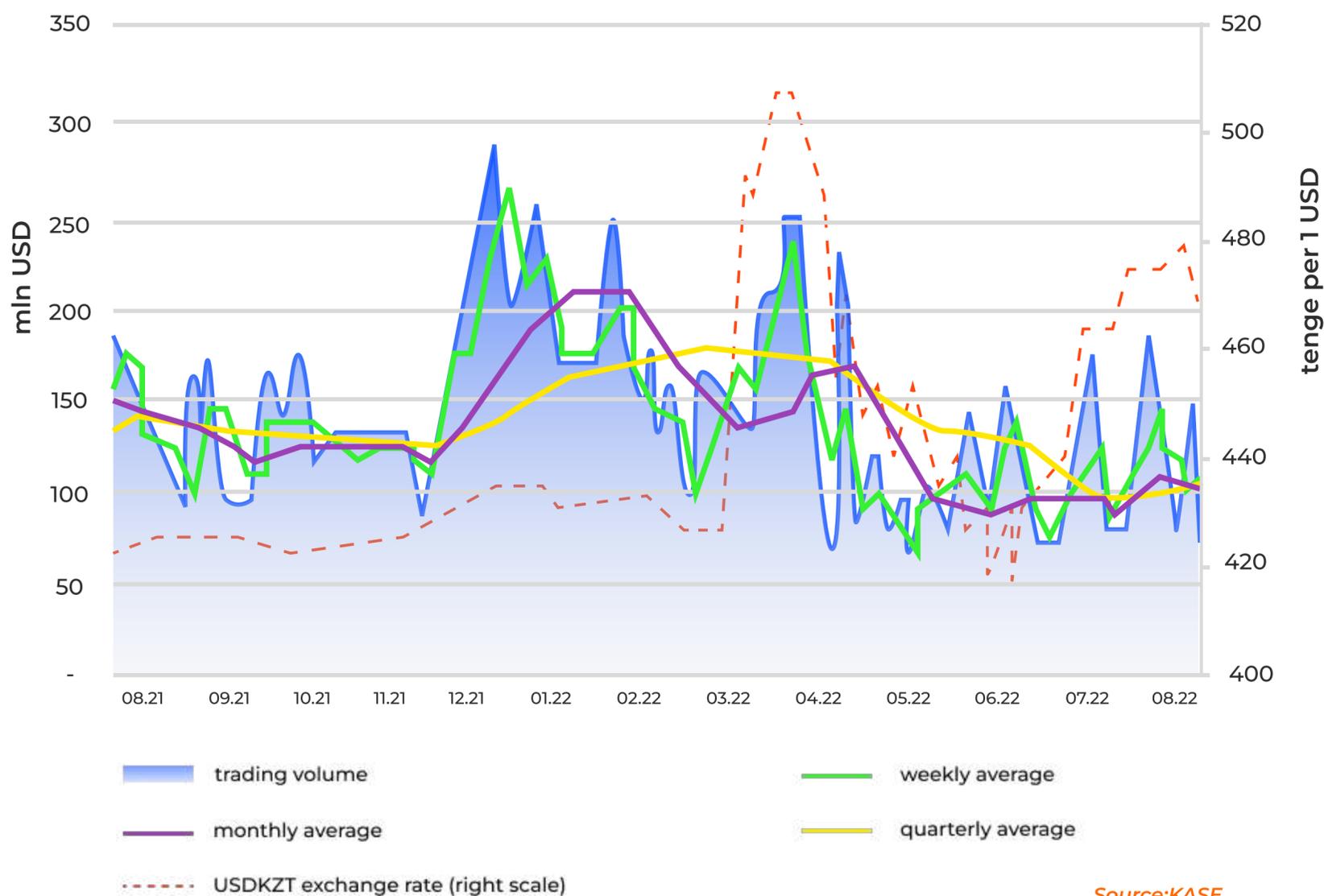
There is an increase in the volatility of the tenge against the dollar. During the week under review, it was 1.0%, which is 0.9 p.p. more than last week.

Due to the big tax week, the USDKZT pair **trading volume** increased by 53.1% compared to the previous week (an increase of 22.4% compared to the average weekly trading volume in 2022) and amounted to \$ 719.33 million. At the same time, the growth in trading volumes could potentially be higher. Exporters preferred to attract tenge liquidity to make tax payments on the money market rather than sell dollars at the current exchange rate. During the week under review, we could see an increase in trading volumes on the money market with a simultaneous increase in the TONIA rate from 13.5% a week earlier to 15.25% in the middle of the week under review.

Currency pair	Weekly dynamics	Maximum	Minimum	Weekly volatility
USDKZT		473.99	461.98	1.0% ▲
RUBKZT		7.94	7.7	1.1% ▼
EURKZT		474.56	459.62	1.1% ▲
CNYKZT		69.32	67.3	1.1% ▲

*volatility is calculated as the variation coefficient
▲▼ an increase or decrease in volatility compared to the previous period

USDKZT pair currency exchange trading



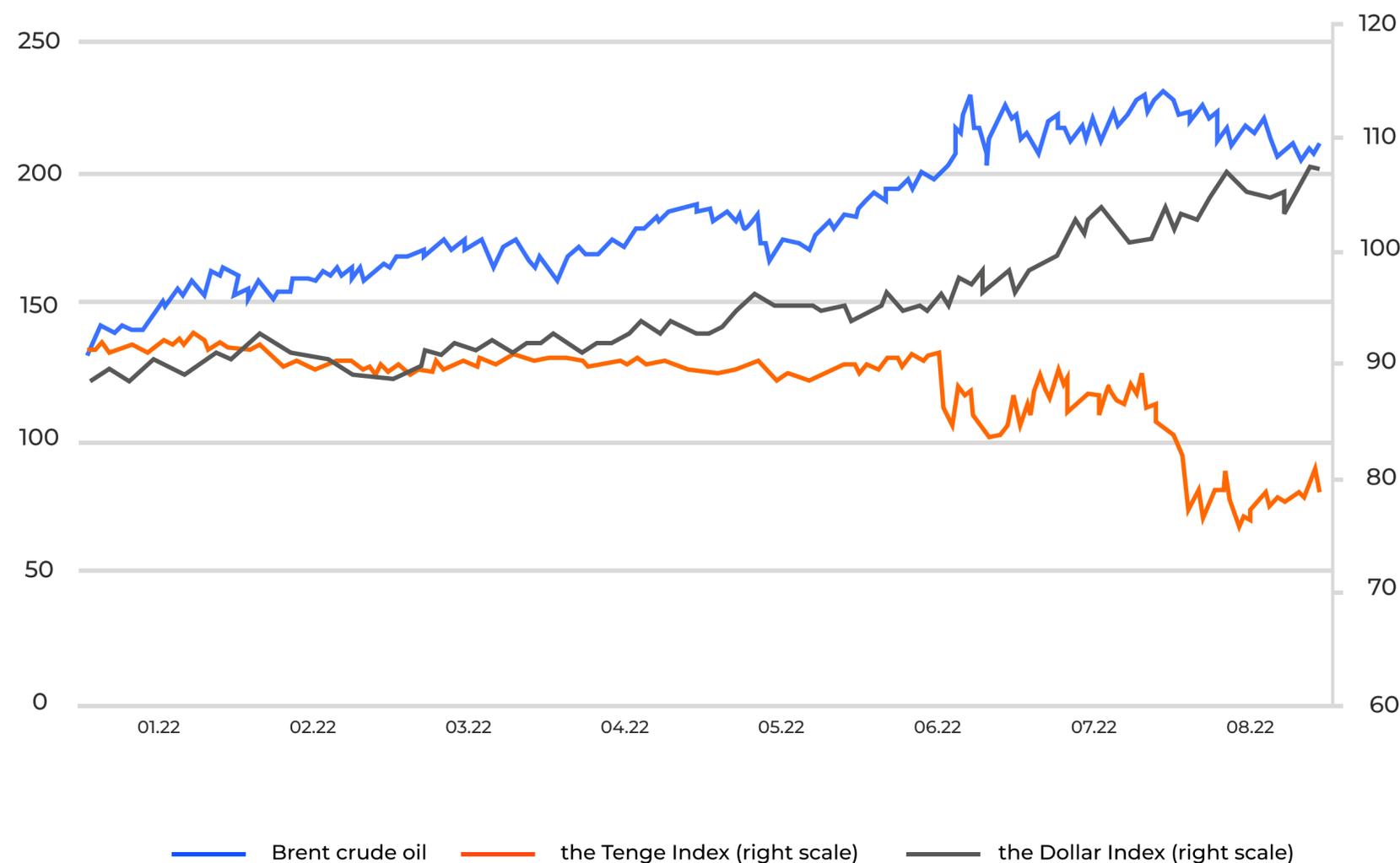
The Tenge Index (August 22-26)

During the week under review, the Tenge Index strengthened by 1.0% and amounted to 79.5 points. The Index has weakened by 12.4% since the beginning of the year.

Following the Index, the tenge strengthening occurred along with the rise in oil prices. The Dollar Index was also growing. The strengthening of the national currency against the major currencies in the Tenge Index was largely due to the increase in demand for tenge during the big tax week of exporters, and not the increase in oil prices. Usually, the unidirectional Tenge and Dollar Indices reflects the influence of one-time or non-market factors and in the short term leads to a subsequent weakening of the tenge.

Despite the situation on foreign markets and changes in several fundamental factors, we have observed a steady change around the 78-79 point mark since the mid-June. All this indicates a significant degree of the current currency market inefficiency or belated accounting of market signals.

Dynamics of changes in the Tenge Index, the Dollar Index and oil prices to the base period (December 2018)



Source: data of the National Bank of the Republic of Kazakhstan, Jusan Analytics calculations

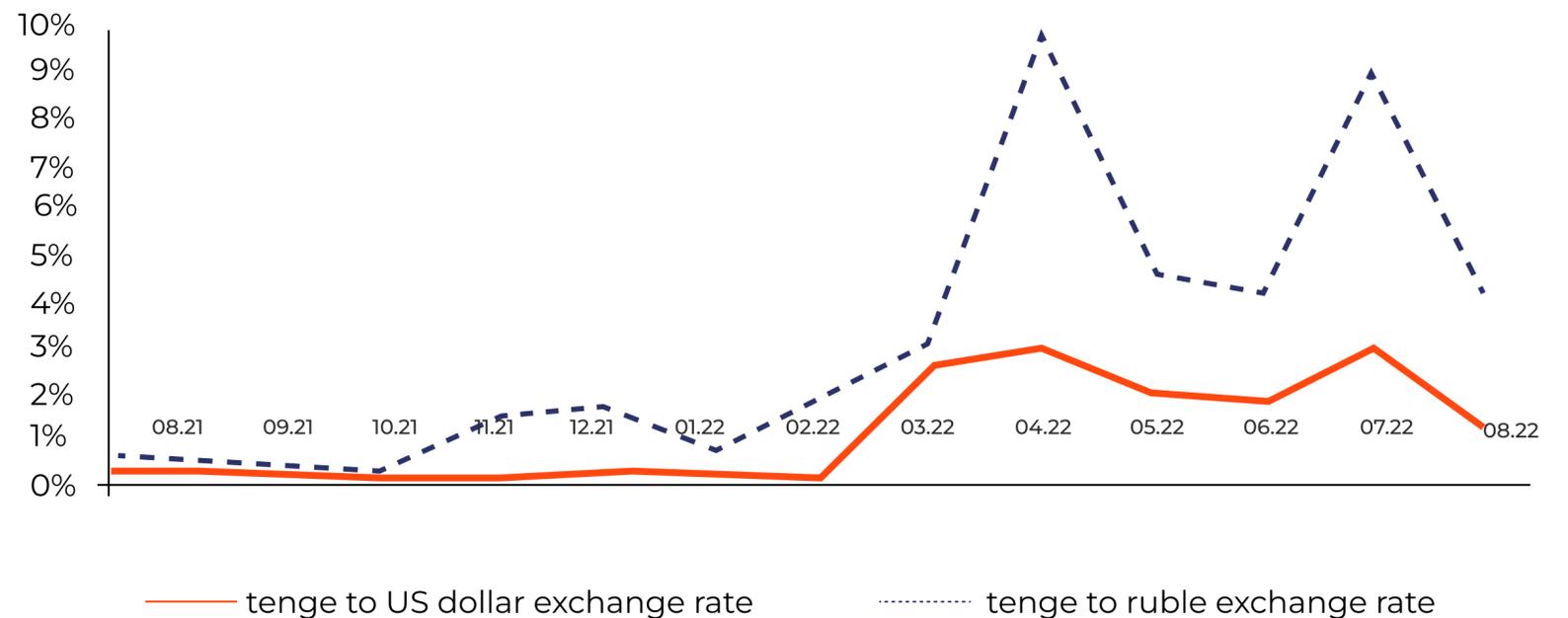
External factors of exchange rate

Over the past week, **oil quotes** have fluctuated between 95.8-100.3 dollars per barrel. The price had slightly rolled back to \$ 99 by the end of the week, the weekly growth was 2.4%.

The increase in quotations took place due to the news about the resumption of armed clashes in Libya and information that OPEC + may reduce its production (regarding the Minister of Energy of Saudi Arabia). Active negotiations on the resumption of the Iran Nuclear Deal contribute to the prospect of its settlement, the subsequent lifting of sanctions and the return of Iranian oil to the world market. The hints of the Saudis are most likely a response to threats on the supply increase in the oil market and a corresponding decrease in oil prices, which the major oil exporters are trying to protect themselves. The further quotation growth against the threat of oil shortages will be slowed down by concerns about a global recession.

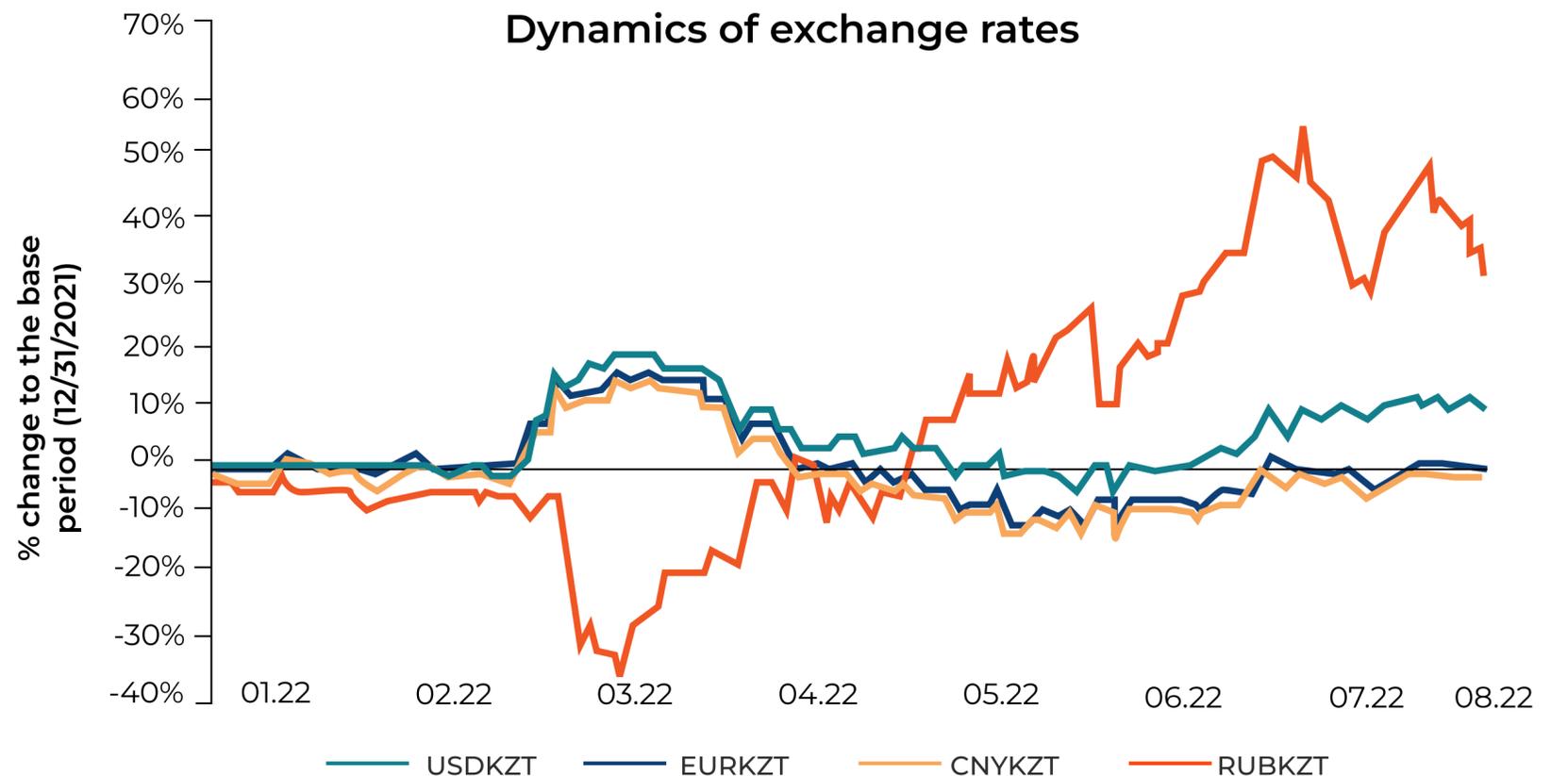
The Dollar Index rose from 108.17 to 108.84 points (+0.6%) for the week. At the same time, at the beginning of the week, the Index reached above 109 points. The observed dollar strengthening was promoted by Powell's statement, that despite the possible problems the US economy will experience, Fed will continue an aggressive cycle of monetary tightening to combat inflation. In light of the statement, the market expects a likely rate increase of 75 b.p., which will lead to further Dollar Index growth and increased pressure on the currencies of developing countries.

Currency exchange rate volatility



Source: data of the National Bank of the Republic of Kazakhstan, Jusan Analytics calculations

Dynamics of exchange rates



Source: data of the National Bank of the Republic of Kazakhstan, Jusan Analytics calculations

External factor of exchange rate

The prices of the main export goods in addition to oil increased over the past week.

Issues on supply related to adverse weather conditions contributed to the rise in wheat cost. Hot and dry weather conditions have had an undesirable impact on yields in China, which will prompt it to import the missing volumes abroad.

Fueled by the upcoming elections in the United States increased demand is expected in the metals market, as large-scale construction of new facilities is planned, as well as new measures to stimulate the Chinese economy against the background of inventory reduction due to the implementation of new infrastructure projects.

Dynamics of the main export goods of Kazakhstan

	Closing price, USD	Change in a week, %	Change from the beginning of the year, %	Dynamics
crude oil	96.72	2.37	+31.64	
wheat	771.00	+4.44	+4.48	
uranium	49.20	+0.41	+9.66	
iron stone	105.05	-0.14	-6.23	
zinc	315.05	+1.24	+11.79	
aluminum	2371.75	+4.73	-11.52	
copper	8078.50	+1.02	-16.05	

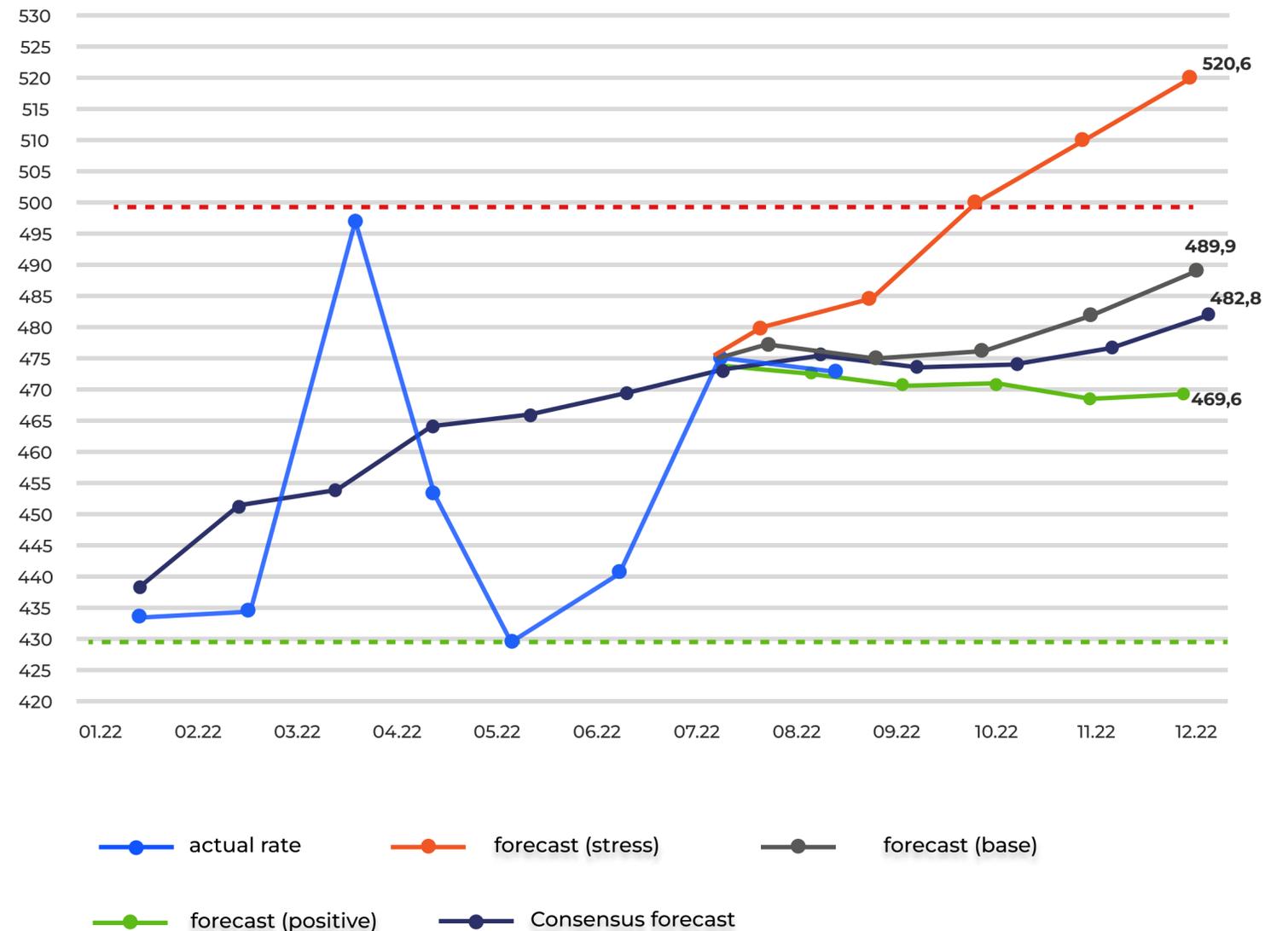
Source: [Investing.com](https://www.investing.com), finance.yahoo.com

Jusan Analytics Opinion

During the week, we have observed an increase in USDKZT pair trading volume due onset of the big tax week of exporters. At the same time, dynamics of the tenge exchange rate did not have a strong tendency to strengthen. The tenge exchange rate strengthened to the level of 461.98 tenge per dollar by the middle of the week, but it began to lose its position and weakened to the level of 468.1 tenge per dollar by the end of the week. There was an increase in money market trading simultaneously with the increase in the foreign exchange market activity, which in our opinion, can signify the evasion of exporters from converting foreign exchange earnings at the current rate since they expected the national currency to weaken.

The current domestic economic conditions contribute to the continuance of the observed exchange rate levels. However, external factors, the change of which should also affect the dynamics of the tenge exchange rate, indicate increased pressure on the national currency. Contrary to the signals of the economy cooling, the rhetoric of the US Federal Reserve about the likely monetary tightening indicates more growth of the global dollar than previously expected (our forecast for September-November has been adjusted).

Simulated dynamics of the exchange rate

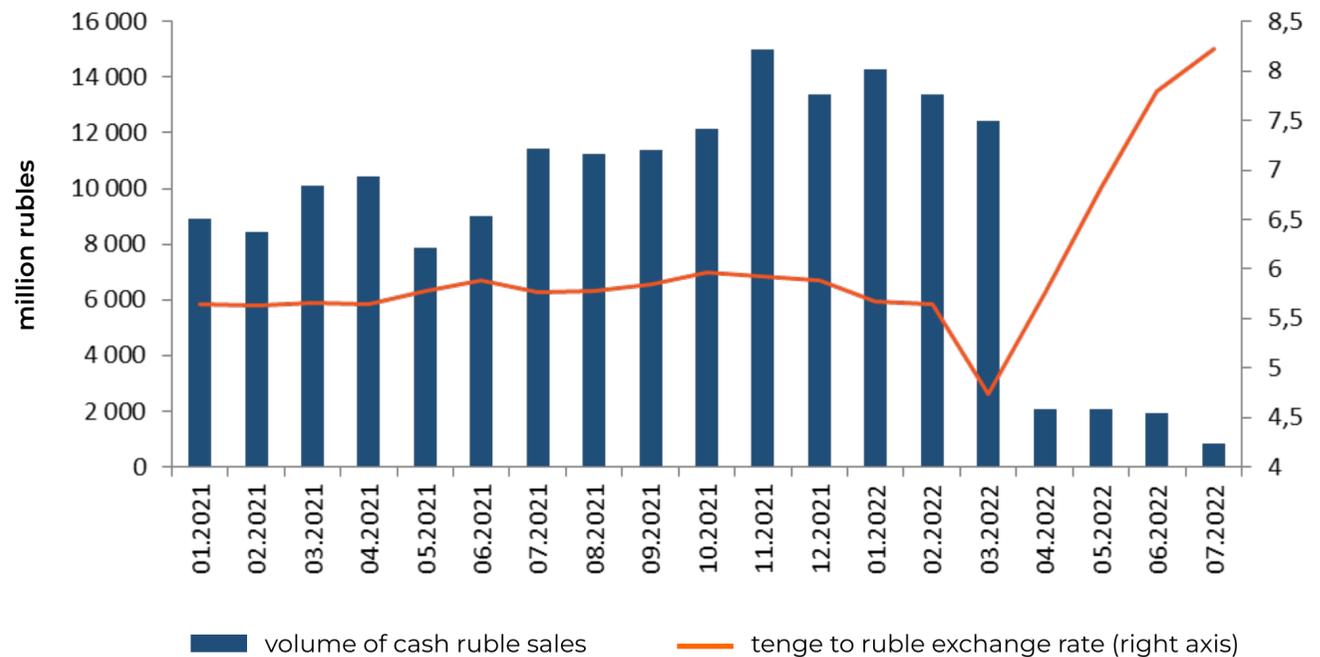
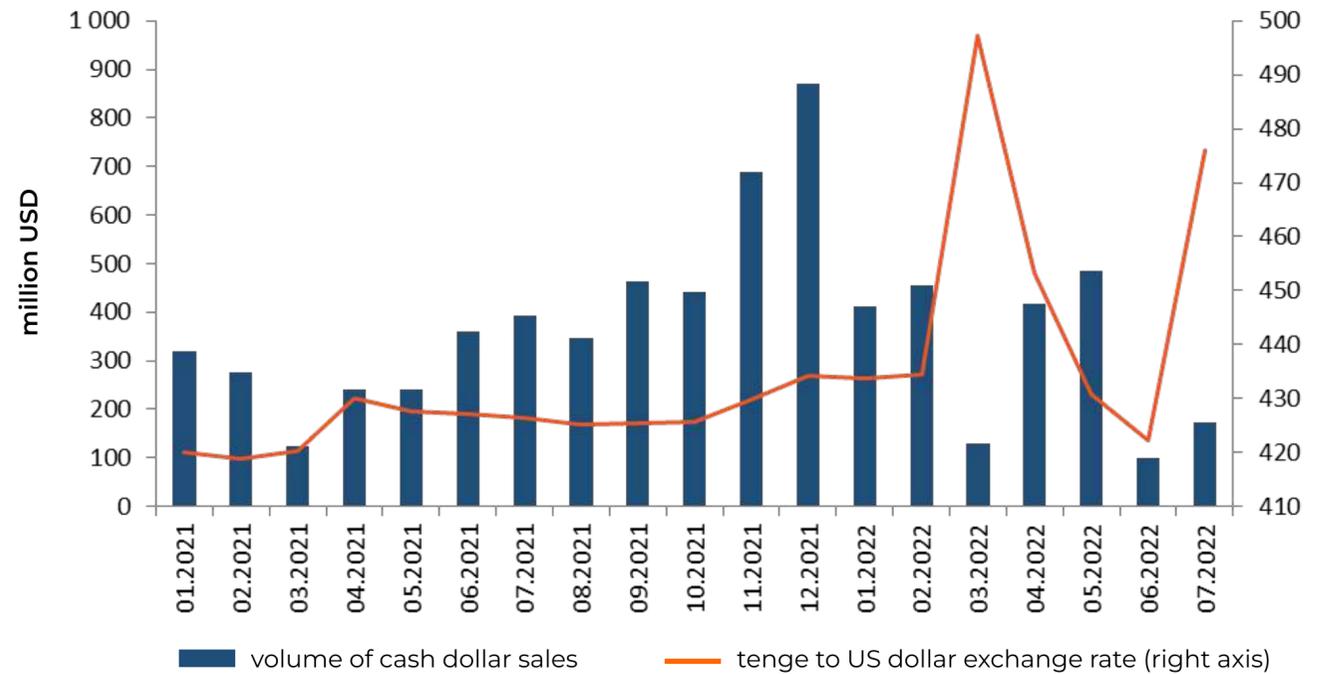


The Foreign Exchange Market

According to the official data of the National Bank of the Republic of Kazakhstan, the average dollar exchange rate amounted to 47.6.08 tenge, and the ruble to 8.23 tenge.

For 7 months of 2022, the volume of dollar exchangers sales increased by 11%. At the same time, after a sharp decline in June, net sales increased slightly and formed at the level of \$ 172.6 million in July, but this level is still significantly lower than last year (July 2021 - \$ 392.6 million), as well as the average for the last 5 years (\$ 396.5 million).

Net sales of cash rubles for 7 months of 2022 decreased by 29%. In July, sales of rubles decreased by almost 14 times compared to the last year and amounted to 0.8 billion rubles (July 2021 - 11,4 billion rubles). The volume of transactions with cash rubles continues to remain at low levels and is 10 times less than the average of the last 5 years.



Upcoming tax payment periods in August-December, 2022

AUGUST

MN	TU	WD	TH	FR
1	2	3	4	5
8	9	10	11	12
15	16	17	18	19
22	23	24	25	26
29	30	31		

SEPTEMBER

MN	TU	WD	TH	FR
			1	2
5	6	7	8	9
12	13	14	15	16
19	20	21	22	23
26	27	28	29	30

OCTOBER

MN	TU	WD	TH	FR
3	4	5	6	7
10	11	12	13	14
17	18	19	20	21
24	25	26	27	28
31				

NOVEMBER

MN	TU	WD	TH	FR
	1	2	3	4
7	8	9	10	11
14	15	16	17	18
21	22	23	24	25
28	29	30		

DECEMBER

MN	TU	WD	TH	FR
			1	2
5	6	7	8	9
12	13	14	15	16
19	20	21	22	23
26	27	28	29	30



big tax week (rent export tax, VAT, mineral extraction tax)

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